

## Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 AGR-20 TRSE-00

CIEP-02 SWF-02 AID-20 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03 LAB-06 SIL-01

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USDA - HNOVOTNY (SUBS)

TREASURY -MCHAVES (SUBS)

CIEP -BMORRIS (SUBS)

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY COPENHAGEN

INFO AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BUENOS AIRES

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: EAGR, EAID

SUBJECT: UK AND DENMARK CONTRIBUTIONS UNDER THE FOOD AID CONVENTION (FAC)

1. DEPARTMENT HAS RECEIVED INDICATIONS THAT THE UK AND DENMARK ARE CONSIDERING MEETING THEIR FAC CONTRIBUTIONS UNDER ARTICLE II (4) OF CONVENTION WHICH PROVIDES FOR CASH EQUIVALENCE DETERMINATION ON THE BASIS OF US 1.73 DOLS. PER BUSHEL. WHEAT PRICES ARE CURRENTLY TWICE THAT LEVEL. COARSE GRAIN PRICES ARE ALSO SUBSTANTIALLY HIGHER. THEREFORE, BOTH COUNTRIES COULD REALIZE BUDGET SAVING. DEVELOPING COUNTRIES WOULD, OF COURSE, RECEIVE LESS TOTAL ASSISTANCE UNDER THE FAC.

2. WHILE FAC PROVIDES FOR THIS COURSE OF ACTION AND JAPAN, NOTABLY, HAS HAD RECOURSE TO IT IN PAST, USG VIEWS IT AS COUNTER TO SPIRIT OF FAC. THE 1.73 DOLS. EQUIVALENCE RATE WAS ESTABLISHED AT A TIME WHEN IT WAS EXPECTED THAT THIS WOULD CONTINUE TO BE CLOSE TO WORLD PRICE LEVEL FOR WHEAT. IT WAS NOT INTENDED TO PROVIDE CHEAP PARTICIPATION FOR SOME PARTIES. AN IMPORTANT FEATURE OF FAC, DISTINGUISHING IT FROM THE WORLD FOOD PROGRAM, IS THE SETTING OF CONTRIBUTIONS AT QUANTITY LEVELS. THIS HAS BEEN IMPORTANT IN PRESERVING FOOD AID LEVELS TO THE LDCS DURING A PERIOD OF VERY HIGH PRICES. UK AND DANISH RECOURSE TO ARTICLE II (4) WOULD UNDERMINE THIS FEATURE OF FAC AND MIGHT ENCOURAGE OTHER

SIGNATORIES TO GO SAME ROUTE. WHILE WE VIEW JAPAN'S USE OF ARTICLE II (4) IN THESE SAME TERMS, THE JAPANESE POSITION HAS VIRTUE OF CONSISTENCY FROM 1967 TO PRESENT.

3. FOR EC BRUSSELS, LONDON, COPENHAGEN. PLEASE DETERMINE AND INFORM CURRENT STATUS THIS ISSUE AND UK, DENMARK AND EEC INTENTIONS. AGAINST WHICH YEARLY OBLIGATIONS MIGHT UK AND DENMARK UTILIZE ARTICLE II (4)? WOULD IT BE FOR NATIONAL PORTION ONLY OF THEIR SHARES, OR PRO RATA COMMUNITY PORTION AS WELL? WOULD EEC AS A WHOLE STILL INTEND MEET ITS FAC QUANTITY OBLIGATION (MEASURED IN GRAIN TONNAGES)? WOULD UK AND DENMARK PLAN TO USE CASH EQUIVA-

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LENCE FUNDS TO PAY FOR REDUCED QUANTITIES OF FOOD AID OR TO SUPPLY AGRICULTURAL MATERIALS?

4. IN DETERMINING STATUS THIS MATTER YOU SHOULD AVOID IMPLYING US CONCURRENCE WITH UK AND DENMARK USE OF ARTICLE II (4). WE WILL DEFINE US POSITION WHEN WE HAVE FULLER INFORMATION BUT YOU SHOULD, AS APPROPRIATE, EXPRESS GENERAL RESERVATIONS WE HAVE, AS SET FORTH PARA 2.

5. FOR OTHER POSTS. YOU MAY DRAW UPON THIS CABLE IF  
HOST GOVERNMENT RAISES MATTER. WE MAY REQUEST YOU CONSULT  
WITH HOST GOVERNMENTS WHEN WE HAVE FULLER INFORMATION FROM  
EC BRUSSELS, LONDON AND COPENHAGEN. KISSINGER

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## Message Attributes

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